

The background of the entire page is a dark blue gradient. In the center, there is a large, dark silhouette of the Statue of Liberty. The statue's torch and crown are highlighted with a golden glow. The text is overlaid on the lower portion of the statue's silhouette.

Fiscal Year 2002 Annual Report

**National Park Service
Concession Program**

**The National Park Service
Concession Program** administers
590 concession contracts generating
\$818.6 million in annual revenue
across **126** parks and areas located in
most **states and territories.**



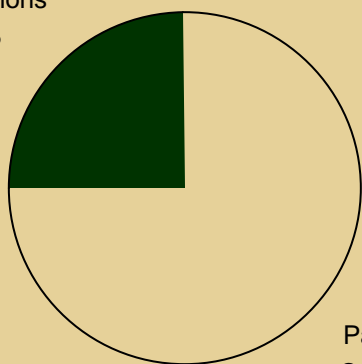
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Distribution of National Park Service Visitors

Parks without
Concession
Operations
25%

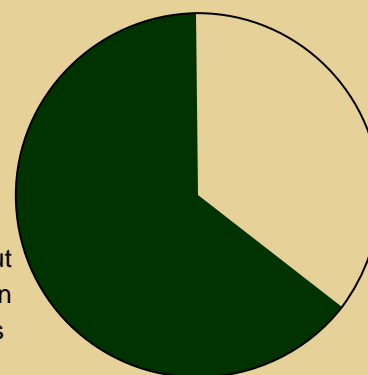


Parks with
Concession
Operations
75%

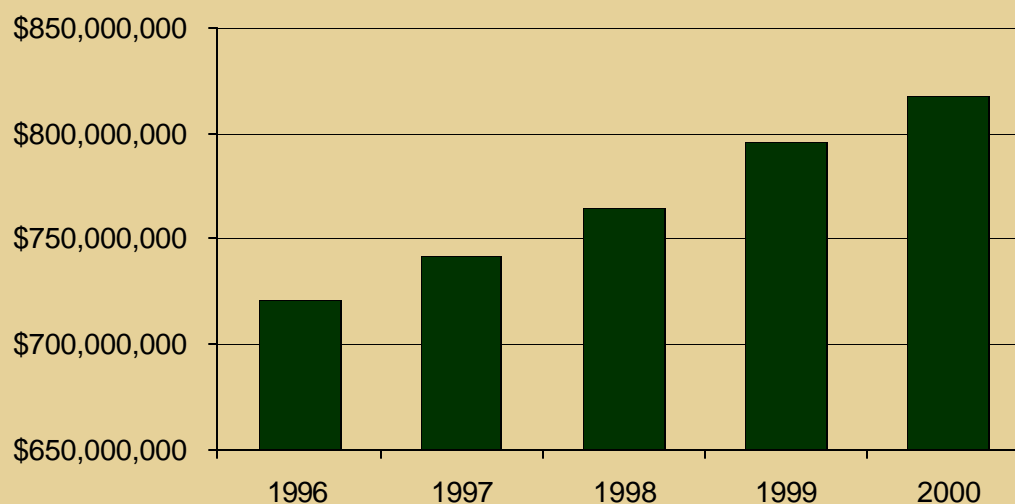
Distribution of National Park Service Parks

Parks with
Concession
Operations
35%

Parks without
Concession
Operations
65%



Annual Gross Revenue from Concession Contracts





Letter from the Program Manager

Welcome to a summary of the FY 2001-2002 accomplishments of the National Park Service Concession Program. This Report reflects agency response to implement concession reform as called for in the Concession Management Improvement Act of 1998 (PL 105-391) and actions we feel align with the high priority placed on performance in government today, particularly the President's Management Agenda and Secretary Norton's 4 C's – Conservation through Consultation, Cooperation and Communication.

PL 105-391 challenges us with concession reform – not just removal of anti-competitive barriers to contracts, or return of franchise fees to the government, but reform within the concession program as well. The past two years have been spent designing a business solution for commercial visitor services in parks that encompass three distinct but seamless objectives.

- 1) To address accountability, oversight and credibility issues, the program has retooled the business components of concession contracting through the use of private sector business advisors and creation of quality standards for contract oversight.
- 2) To enhance the skills of our human resources, the program has created a “professionalization” initiative to enhance the capacity within the program that includes both hospitality and contracting certification.
- 3) To meet the dynamic need for data collection and analysis and provide for responsible contract oversight, the program has launched an information technology initiative. This initiative will facilitate project management and will interface with a Service-wide asset management system that will build a baseline and historical record of physical facility conditions. This information will support management decisions, identify deferred maintenance and capital improvement needs in new concession contracts, and determine and track the compensable interest obligations of the government.

The past two years in particular have challenged us in ways we never would have imagined. They have required that we look at new and creative ways to apply sound public policy from both a business and administrative perspective. Stephen Mather knew we needed partners in 1916 when he recruited corporate partners to assist with the preservation and use of our nation's treasured places. Today, even more so than in 1916, this unwavering alliance is necessary to ensuring that the public we serve and the resources we protect receive the highest quality service and stewardship.

Learning about and from each other is integral to the growth of any relationship. The Concession Program represents one of the oldest partnerships within the National Park Service. Each and every concession employee in the National Park Service recognizes that the work ahead of us cannot be done alone. As we continue in our quest for success we look forward to future discussions on our progress and welcome you, as our partners, to share a dialogue as we reaffirm our long-term commitment to serve the visitor and protect the resource.

Cindy Orlando
Manager
National Park Service Concession Program

Executive Branch Objectives



President's Management Agenda

President Bush's vision for government reform is guided by three principles: Government should be citizen-centered, results-oriented, and market-based.

In order to reach this vision, the President has established five government-wide initiatives; these include:

- Improve the strategic management of human capital
- Expand electronic government
- Competitive sourcing
- Improve financial performance
- Integrate budget and performance

Secretary's Implementation Strategy

Secretary of the Interior Gail Norton has focused her team on the implementation of these initiatives through the following four concepts:

- Consultation
- Cooperation
- Communication
- Conservation

Program Overview



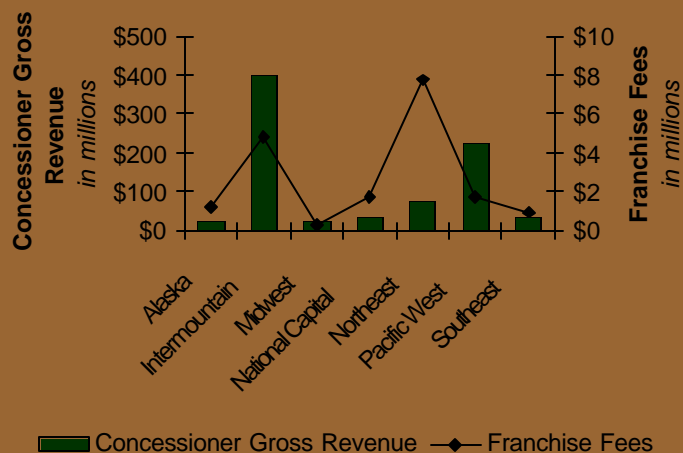


Concession Contract Distribution by Gross Revenue

Concessioner Gross Revenue	Percent of Contracts	Percent of Gross Revenue
\$3 million and Above	8.8%	81.3%
\$1 Million to \$3 Million	7.1%	9.4%
\$500,000 to \$1 Million	7.3%	3.8%
\$100,000 to \$500,000	27.3%	4.6%
Zero to \$100,000	43.6%	1.0%
Zero	5.9%	0.0%
Total	100.0%	100.0%

Source: 2000 NPSCP AFR Database

Concessioner Gross Revenue And Franchise Fee Distribution by NPSCP Region



Source: 2000 NPSCP AFR Database

The following text provides an overview of the National Park Service Concession Program (“NPSCP”). It should be noted that all information in this summary section was obtained from the 2000 Annual Financial Report (“AFR”) database, which is the most current comprehensive data available. It is important to note that AFR information is compiled on a calendar year basis. All other sections will be reporting on a FY2002 basis.

The National Park Service Concession Program oversees 590 concession contracts that generated more than \$818 million in gross revenue in 2000. The 52 largest concession contracts, those generating more than \$3 million dollars in annual gross revenue, generate more than 80 percent of total concessioner gross revenue. In contrast, the more than 75 percent of contracts generating less than \$500,000 dollars account for less than six percent of concessioner gross revenue.

The concession contracts overseen by the NPSCP are spread among the seven regions of the National Park Service (“NPS”). The seven regions are:

- Alaska
- Intermountain
- Midwest
- National Capital
- Northeast
- Pacific West
- Southeast

As shown by the figure to the left, concession contracts in the Intermountain Region accounted for almost half of the total concessioner gross revenue generated in 2000. However, this region accounted for only a quarter of all franchise fees collected in 2000. In contrast, the Northeast Region accounted for more than 40 percent of franchise fee collections while accounting for only 10 percent of all concessioner gross revenue.



"The National Park Service will provide, through the use of concession contracts, commercial visitor services within the parks that are necessary and appropriate for visitor use and enjoyment. Concession operations will be consistent with the protection of park resources and values and demonstrate sound environmental management and stewardship."

The National Park Service, Commercial Visitor Services Management Policy

A variety of visitor services are provided by concessioners in the National Parks; these visitor services may be condensed into nine general categories:

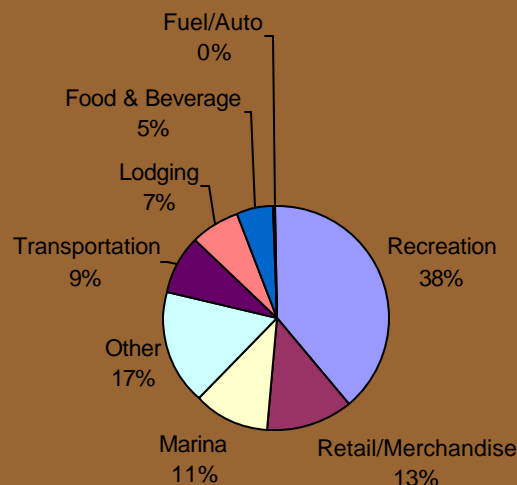
- Recreation
- Retail/Merchandise
- Marina
- Transportation
- Lodging
- Food & Beverage
- Fuel/Auto
- Other

Recreation contracts include such services as outfitters and guides and other resource-based services. As shown in the figure to the above right, these Recreation contracts are the largest component of NPSCP concession contracts, followed by Retail/Merchandise.

The figure to the lower right illustrates the distribution of all concessioner gross revenue by land use. This figure provides a different perspective than the previous one. Although more than 40 percent of NPSCP concession contracts are Recreation contracts (not necessarily grossing less than \$500,000 in gross revenue), less than 10 percent of all concessioner gross revenue is generated by these activities. In contrast, Retail/Merchandise activities account for a quarter of all concessioner gross revenue, with an additional 40 percent of concessioner gross revenue split evenly between Food & Beverage and Lodging activities.

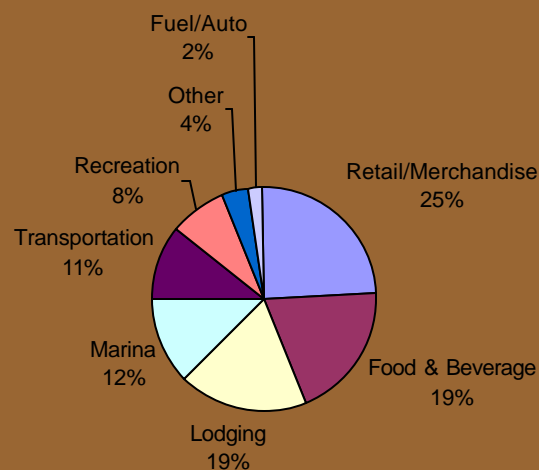
The two figures on the opposite page illustrate a distinct difference between concession contracts generating greater and less than \$3 million in annual gross revenue. The figures show that larger concession contracts are comprised primarily of complex hospitality businesses while the smaller contracts are dominated by less complex businesses such as Recreation services.

Concession Contract Distribution by Primary Land Use



Source: 2000 NPSCP AFR Database

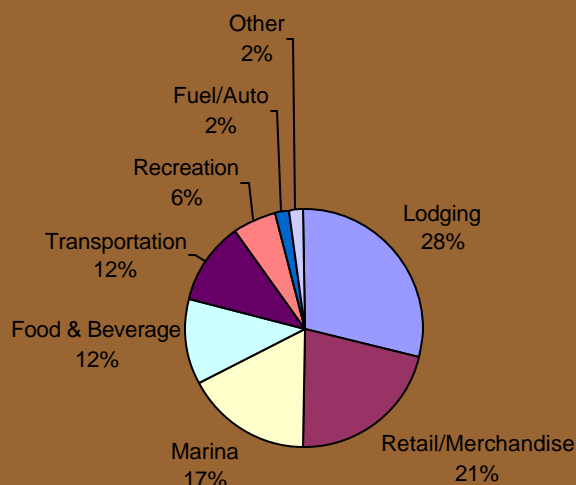
Concessioner Gross Revenue Distribution by Land Use Source



Source: 2000 NPSCP AFR Database

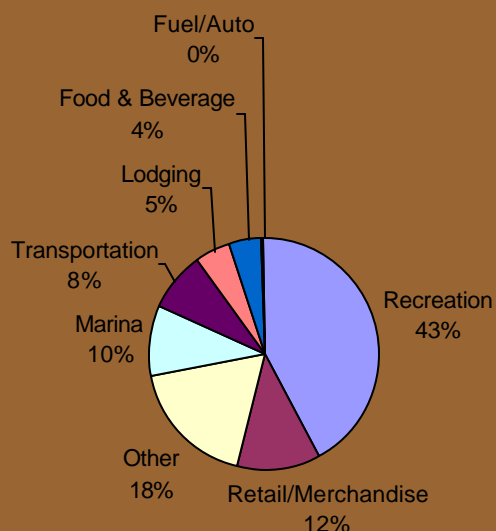


Concession Contract Distribution by Primary Land Use *Contracts above \$3 Million*



Source: 2000 NPSCP AFR Database

Concession Contract Distribution by Primary Land Use *Contracts below \$3 Million*



Source: 2000 NPSCP AFR Database

Concessioner franchise fees are established as a monetary return to the government by Public Law 105-391, Section 407, which states that “A concessions contract shall provide for payment to the government of a franchise fee or such other monetary consideration as determined by the Secretary, upon consideration of the probable value to the concessioner of the privileges granted by the particular contract involved.

Consideration of revenue to the United States shall be subordinate to the objectives of protecting and preserving park areas and of providing necessary and appropriated services for visitors at reasonable rates.” The franchise fees paid by concessioners operating in the National Park Service are used for the enhancement of the visitor experience.

Many parks have multiple concession contracts providing visitor services and paying franchise fees. An examination of franchise fees by concession contract indicates that six contracts generated more than half of all franchise fees collected by the NPS in 2000. This means that approximately one percent of concession contracts generate more than 50 percent of the franchise fee return to the government. Therefore, negative economic impacts on these six contracts lead to substantial negative impacts on the NPSCP.

It is important to note that franchise fees are only one form of compensation provided to the government by concessioners. The other is concessioner deposits to special accounts to be used for capital improvements and facility maintenance. In 2000, concessioners paid the government more than \$18 million in franchise fees, and deposited more than \$33 million in special accounts. Most importantly, however, NPSCP concessioners provide virtually all significant commercial visitor services on behalf of the National Park Service. The societal benefit of these visitor services is immense, as they provide the means for Americans to experience their National Parks.

Discussion of Operations





In recognition of the President's Management Agenda, the National Park Service Concession Program underwent a comprehensive external program review in FY2001. This review assessed the organization in the following categories:

- Mission & Objectives
- Structure and Reporting Relationships
- Program Scope
- Business Processes
- Staffing Levels and Expertise
- Information Technology
- Budget & Resources

The program review resulted in a set of goals for pursuit by the NPSCP. The following section addresses the extent to which NPSCP has achieved its goals and implemented its strategies. In the next year, the NPSCP is committed to reviewing and revising these goals and strategies.

“Results Oriented”



Goal One

Issue: *The NPSCP oversees approximately 600 concession contracts grossing approximately \$818.6 million dollars in revenue annually. In 1998, the National Omnibus Management Act (Public Law 105-391) was passed which substantially changed the manner in which the NPS awards concession contracts, as well as the terms and conditions for new contracts. The NPSCP’s primary responsibility over the next five years is to execute new concession contracts.*

Strategy 1: To develop a plan for high value contract rollovers

Actions: The top 52 concession contracts account for over 80 percent of the total concessioner gross revenue. These contracts gross over \$3 million dollars and include hospitality, retail, marina and transportation assets. Recognizing their complexity and high value, the NPSCP sought external expertise to assist them in developing an action plan for the development of prospectuses for these contracts. Beginning in FY2002, PricewaterhouseCoopers Hospitality and Leisure Consulting Group (“PwC”) was engaged as a business advisor to the NPSCP to assist parks in developing a strategy for undertaking appropriate due diligence for these large contracts. Contracts were prioritized by economic value, legal and financial risk and expiration date. From this effort, the NPSCP identified 12 contracts for which prospectus due diligence would occur over FY2002. Project teams were deployed to these parks to undertake site visits that included real property condition assessments, real and personal property valuation, market and financial analysis and concession facility planning.

Develop and execute a prudent management plan to roll all expired contracts as expeditiously as possible



The project teams consisted of subject matter experts in the areas of real property assessments, real and personal property valuation and transportation, retail, and water based planning and design. A prospectus development framework was charted out in conjunction with representatives of each park including an action plan and timeline for completion. The parks, in conjunction with PwC and its subject matter experts, have been working together to redesign the prospectus to appropriately reflect both the needs of the NPSCP and potential bidders. Between the passage of the new law and the end of FY 2002, six large prospectuses were issued and five contracts were executed. Over the course of the next year, it is estimated that fifteen prospectuses will be issued.

Strategy 2: To develop a plan for small/medium contract rollovers

Actions: Currently, the Regions and individual parks are responsible for the prospectus development of those contracts grossing less than \$3 million in revenue annually. Each region has developed its individual strategy for implementation. Over the course of the next year, a centralized coordination of this effort will occur. To support this, the NPSCP has developed a central database of information pertaining to these contracts. This database serves as a decision making tool that will be used to further develop the strategy on the contract rollover process for these contracts. Approximately 100 contracts were issued between FY01 and the end of FY02.

“Results Oriented”



Goal Two

Issue: *In reducing the contracting backlog, it is critical that NPSCP adhere to the legal and regulatory requirements that guide the program. The most important management function of the NPSCP in the near term is contracting for commercial services in the parks and consistent application of oversight of contracts.*

Strategy 1: Redesign the NPSCP organizational structure to increase fiduciary oversight

Actions: Recognizing the complexity and value of the largest NPSCP contracts, the NPSCP determined that external expertise should be sought for all contracts grossing above \$3 million dollars. As such, in FY2002, the NPSCP engaged PwC as its business advisor. Their scope of services includes Business Process Reengineering (BPR) and Contract Rollover Advisory Services. Additionally, the NPSCP created an informal alignment between NPSCP and PwC staff on all key business issues. This alignment of internal and external resources will continue over the next year.

Strategy 2: Review and improve the NPSCP business and management processes

Actions: The NPSCP program review completed in FY2001 identified three major areas of responsibility for the NPSCP. These include planning, contracting and oversight.

Planning is the critical first step in the concession business process. It is the process that defines the appropriate role for commercial services within the park. Contracting for commercial services in the National Parks is perhaps the most important management function of the Concession Program. The contract identifies what rights the NPS will be able to exercise in its relationships with a concessioner. Finally, oversight activities involve the NPSCP's fiduciary responsibility to ensure that contract rights are being upheld. Over the last year, the NPSCP has focused its efforts on enhancing the contracting and oversight functions through a Business Process Reengineering effort. The BPR initiatives have focused on two key areas: Standards, Evaluation and Rate Approval (SERA) and Franchise Fee Analysis. The SERA effort began with a comprehensive review of the NPSCP's Evaluation and Rate Approval processes.

Ensure the NPSCP exercises its fiduciary responsibility related to concession contracts



The review included an analysis of the NPSCP's current process for property evaluations and rate approval. It compared the NPSCP's processes against private sector practices of establishing property classifications and standards, property evaluation methods and pricing policies. Both the private sector and industry associations were partners in this initiative. Currently, a working group of NPSCP staff, concessioner representatives, PwC, and industry associations are drafting classifications and standards for the four major assets groups (lodging, retail, marina and food and beverage). The next phase of analysis will be to test the draft classifications and standards in the parks. Consideration of revisions to the rate approval methods is anticipated to occur in the next year.

The NPSCP also requested that PwC revisit the current procedures used for establishing franchise fees for contracts over \$3 million dollars. Over the course of the last year, the methodology used for developing the franchise fees for large contracts has been redesigned to include the development of a "real time" decision making model. This model allows Superintendents and park concession staff the opportunity to make decisions regarding components of the prospectus package during on-site working sessions. An initiative to reevaluate franchise fees for contracts below \$500,000 occurred in FY02. This included analyzing private and public sector methods for establishing franchise fees, and measuring the impact of potential policy changes on both the NPSCP and the concession community. A revised policy for franchise fees below \$500,000 will be issued in FY 2003.

Strategy 3: Enhance oversight for all contracts

Actions: Presently contract oversight within the NPSCP occurs through the Annual Operational Review which includes a property evaluation and contract compliance review. As indicated under Strategy 2, the NPSCP is revisiting the procedures it uses for the evaluation and rate approval component of contracts. Contract oversight is being enhanced through the re-engineering of components of the prospectus development process. The Operating and Maintenance plans, which are included as part of the standard contract, are being improved through a joint effort of the parks, PwC and subject matter experts. These documents will assist the parks in improving contract oversight in the short term. Over the next year, NPSCP will be working to outline a more comprehensive role for contract oversight to parallel industry best practices.

“Market Based”



Goal Three

Issue: *The NPSCP commercial services planning process has not traditionally included a market and financial analysis component when determining necessary and appropriate visitor services. With enhanced planning tools, the NPS can continue to ensure that its natural, cultural and historic resources are preserved while visitors continue to receive high quality visitor services.*

Strategy 1: Improve the use of commercial visitor services planning in identifying suitable visitor services

Actions: The NPSCP has focused on this goal through the market and financial analysis component of the prospectus development process. The NPSCP has requested that PwC and its team of subject matter experts in the areas of lodging, food and beverage, retail, marina, and transportation planning work in conjunction with the parks to understand and define the necessary and appropriate visitor services required in the parks. This analysis has included an assessment of the current quality of visitor services, analysis of the competitive local, regional and national market, and identification of industry trends by asset class that may affect future demand for services. Also included in this effort has been a financial analysis to determine the current and future financial viability of various services. The parks have worked to assess whether contract services should be continued, bundled, expanded or discontinued to meet future visitor service needs. These efforts will be continued in the next year as more prospectuses are issued.

Enhance the suitability and variety of concessions in the National Park Service



Strategy 2: Develop and implement measurable quality standards for all visitor services and land uses

Actions: This strategy is being executed through the review of the Standards, Evaluation and Rate Approval (SERA) occurring as part of the Business Process Reengineering effort. Currently, the NPSCP has Concession Management Guidelines that establish both general and asset specific operating standards by land use. These guidelines are used during the evaluation process conducted by park staff. The SERA initiatives outlined under Goal 2, Strategy 2 are revisiting this process to ensure that they result in high quality visitor services.

“Results Oriented”



Goal Four

Issue: *As the NPS carries out natural resource stewardship on a system-wide basis, the role that concessions play in this initiative is critical. Visitors to the National Parks interface with concession operations at wide variety of NPS destinations. It is critical that concessioner's environmental practices in the areas of facility development and operations align with NPS goals and objectives.*

Strategy 1: Develop environmental management program with concessioners

Actions: The NPSCP Environmental Management Program has developed guidance and sample Environment Management Programs to assist concessioners in understanding program elements. The NPSCP has developed these documents recognizing the roles that Public Health, Risk Management, Park Facility Management and Integrated Pest Management must play in developing a comprehensive response.

Strategy 2: Create quality benchmarks for visitor services in conjunction with industry best practices

Actions: As of FY2002, the NPSCP Environmental Program has identified and cataloged industry and government Best Management Practices for concession service categories. This includes coordination with the Environmental Protection Agency in development of Best Management Practice resource documents and participating on a NPS inter-agency task group responsible for developing a NPS Clean Marina Guidance document.

Strategy 3: Develop concessioner audit program

Actions: In FY00, the NPSCP Environmental Program developed the framework of a concessioner audit program to align with the intent and requirements of the NPS.

Ensure concessions represents sound environmental management



Between FY01 and FY02, the NPSCP Environmental Management Program engaged an external environmental consulting firm to assist them in undertaking pilot baseline environmental audits of 60 concessioners in 22 parks. This effort has resulted in the development of formal Concession Environmental Audit Guidance and resources. Over the next year, 39 additional parks are planned for environmental audits.

Strategy 4: Include environmental compliance as a component of the annual evaluation program

Actions: To ensure that environmental compliance is a component of the annual evaluation program, the NPSCP Environmental Management Program has participated in several NPSCP training initiatives. Staff have participated in annual evaluation and pricing training presented by the NPSCP and are participants in the SERA task group to ensure environmental standards are addressed and incorporated where appropriate. From this effort the environmental program has developed resource documents and checklists to assist park concession staff to understand environmental requirements based on concession service category.

Strategy 5: Develop staff training on environmental compliance issues.

Actions: In order for environmental issues to become an integral part of the NPSCP, concession and park staff at all levels need to better understand the goals and initiatives of the program. Recognizing this, the NPSCP Environmental program has published a bi-annual Concession Environmental Newsletter (The GreenLine) to communicate program goals and objectives, provide information on compliance and BMPs and share highlights on concessioner environmental programs. Additionally, an environmental session has been added to the basic concession contract training and is being developed as a component of the Northern Arizona University Concession Training. An environmental database including an Assistance CD to communicate program initiatives and resources on environmental regulations, policies, and Best Management Practices will be issued in the next year.

“Improving Human Capital”



Goal Five

Issue: *The NPSCP staff is a diverse group of people all devoted to the important mission of preserving the natural and cultural resources of our nation’s parks for the enjoyment and education of future generations. NPSCP employees come from a variety of educational backgrounds ranging from business administration to forestry. Due to the diverse background of the staff, expertise in concessions management is often limited. While members of the NPSCP staff are committed to the agency’s mission, competencies are underdeveloped in the areas of real estate finance and hospitality management.*

Strategy 1: Determine and assess staff competencies for the concession program

Actions: The NPSCP assembled a database identifying the grades and educational background of NPSCP staff as part of the NPSCP’s Concession Careers Future Report approximately five years ago. As new educational initiatives have been expanded, tracking of attendance has been occurring such that this database can be enhanced at a future date. In FY 2000, the framework of a NPSCP Certification Program was developed. This framework identified the key competencies required of NPSCP staff as well as the formal and informal education and training which would be required for certification of contracting competencies. As coursework has been introduced and tested, the certification criteria are being re-evaluated.

Strategy 2: Develop staff training and monitoring program to ensure competency enhancement

Actions: The NPSCP has developed a strategic partnership with Northern Arizona University (NAU) School of Hospitality as an opportunity for NPSCP employees to further advance their Concession Management skills. This multi-year program includes 420 hours of course study which is based upon the NAU core hospitality curriculum.

Ensure staff competencies are appropriate for the concession program



The objective of this program is to provide a hospitality management curriculum that will improve the overall accountability and professionalism of the NPSCP. Using the Internet, all modules are delivered on line at each participant's workplace and are supplemented by interaction with NAU faculty via phone, email and fax. The curriculum includes the following courses:

- Business Law
- Hospitality Industry Managerial Accounting
- Hospitality Industry Management
- Management Skills/Leadership
- NPS Concession Law/Regulations
- NPS Concession Policies & Procedures

The first group of 20 NPSCP individuals enrolled in this program will graduate in May of 2003. The second group of 12 began the program in January of 2002.

In September of 2002, the first Concession Contracting course was held with over 40 participants. The 18 session coursework was developed to continue to enhance the skill set of NPSCP staff working on concession contracts and to lay the foundation of a NPSCP Certification Program. The coursework was developed and taught collaboratively through a partnership with the American Hotel and Lodging-Educational Institute, NPSCP, DOI and PwC. The second version of this class will be held in April of 2003 with a third class scheduled in the Fall of 2003.

Annual training on the current Concessions Evaluation & Rate Approval was held in Sequoia National Park in October and was attended by approximately 35 NPS employees. This 40-hour competency-based training is mandatory for those NPS employees responsible for conducting evaluations and approving concessioner rates.

“Citizen Centered”



Goal Six

Issue: *The long term success of the NPSCP will depend on its ability to maintain a strong working relationship with its constituency of partners. These partners include stakeholders within the National Park Service, Department of Interior, Executive and Legislative Branch and the external private sector community. Outreach efforts to all of these stakeholders must be developed to communicate the goals and objectives of the NPSCP as well as to work collectively to improve the program.*

Strategy: Develop reporting tools for contracting status and asset oversight

Actions: The outreach efforts of the NPSCP have evolved over the last year. Internal communication methods include on-going discourse between the Washington Support Office (WASO) and Regional Concession Chiefs. In FY2002, the First Annual NPSCP Conference was held to bring together WASO, NPSCP staff from each park, and DOI Solicitors. The objective of the conference was to discuss the issues affecting the NPSCP and to introduce the role of PricewaterhouseCoopers LLP as the program's business advisor. FY2003 will see the launch of the first internal NPSCP newsletter, the "Necessary and Appropriate News" to serve as a bi-annual forum for exchanging ideas and presenting industry trend information.

Project management supporting prospectus development has been facilitated through the development of an Extranet serving NPSCP and other staff working on the development of prospectus documents. This secure web-based interactive platform allows for document storage and maintenance for documents that are shared between park, region and WASO staff. Currently, only those parks working on prospectuses are using this technology. Over the next year, it is envisioned that more parks will be added, and the system will be expanded to include real-time reporting capacity.

Enhance Relationships with Internal and External Stakeholders



External communication has included briefings to the NPS, Department of Interior, and Executive and Legislative branch. These briefings have been focused on key areas in which the NPSCP has fiduciary responsibility and in which the NPS has financial and/or legal risk. Two Concession Advisory Board meetings were held in FY2002, which allowed for updates regarding the progress of the NPSCP on meeting goals and objectives outlined by this statutorily required board. Finally, the development and publishing of the first NPSCP Annual Report will begin a legacy of comprehensive reporting on the progress of the NPSCP in meeting its stated goals.

External communication has been expanded to include educational sessions on “How to do Business with the NPSCP” to existing concessioners and potential bidders. These eight hour sessions are designed to assist bidders in understanding the NPSCP and the key components of the prospectus development process. Three outreach sessions were held in FY2002. It is envisioned that these outreach sessions will continue as the NPSCP continues its initiatives to both educate current concessioners on the new prospectus process as well as attract new individuals or corporations interested in bidding for prospectuses.



Government Performance and Results

Government Performance and Results Act (“GPRA”)

Goals were established by Congress in an effort to track the performance of the National Park Service in four key subjects:

- Preservation of Park Resources
- Public Enjoyment & Visitor Experience
- External Partnerships
- Organizational Effectiveness

Within each of the four subjects, Congress established specific goals for the NPS to meet by the end of fiscal year 2008, with interim goals to be met at the end of each fiscal year beginning in 2002. Four of these specific goals apply to the Concession Program.

Goal IIb

The first goal for the NSPCP is that 79 percent of visitors are satisfied with commercial services by the end of fiscal year 2008. The FY2002 planned target is 73 percent, and the NPSCP achieved a value of 72 percent. This is extremely close to the planned target, and the NPSCP is working to improve the figure to 74 percent in FY2003.

Goal IVa9Aii

The second GPRA Goal applying to the NPSCP is that concession operations will undergo an environmental audit to determine baseline performance. The FY2002 planned target for the entire National Park Service is 50 percent, with a FY2005 goal of 100 percent. The NPSCP is working to develop a specific goal separate from that of the entire Service.

Goal IIb: 73 percent of visitors are satisfied with commercial services

Goal IVa9Aii: 50 percent of NPS units and concession operations will undergo an environmental audit to determine baseline performance



Goal IVa9Bii: 20 percent of NPS units and concession operations have fully implemented the regulatory recommendations arising from environmental audits

Goal IVb3: Returns from park concession contracts are 3 percent of gross concessioner revenue

Goal IVa9Bii

The third GPRA Goal applying to the NPSCP is that concession operations have fully implemented the regulatory recommendations arising from environmental audits. The FY2002 planned target for the entire National Park Service is 20 percent, with a FY2005 goal of 100 percent. The NPSCP is working to develop a specific goal separate from that of the entire Service.

Goal IVb3

The fourth goal for the NPSCP is that returns from park concession contracts are 6.5 percent of gross concessioner revenue by the end of fiscal year 2008. The FY2002 planned target is three percent, and the NPSCP achieved a value of 1.9 percent. The main reason that the achieved value is below the planned target is the fact that the largest franchise fee-generating park was closed for a significant period of time in FY2002 following the terrorist attacks in September of 2001. Further, due to the substantial negative impact on concessioners at the above-mentioned park, the NPSCP allowed these concessioners to defer franchise fee payments until future dates. Therefore, while the FY2002 achieved value is below the planned target, it is expected that future achieved values will meet or exceed planned targets.

Note Regarding GPRA Goals

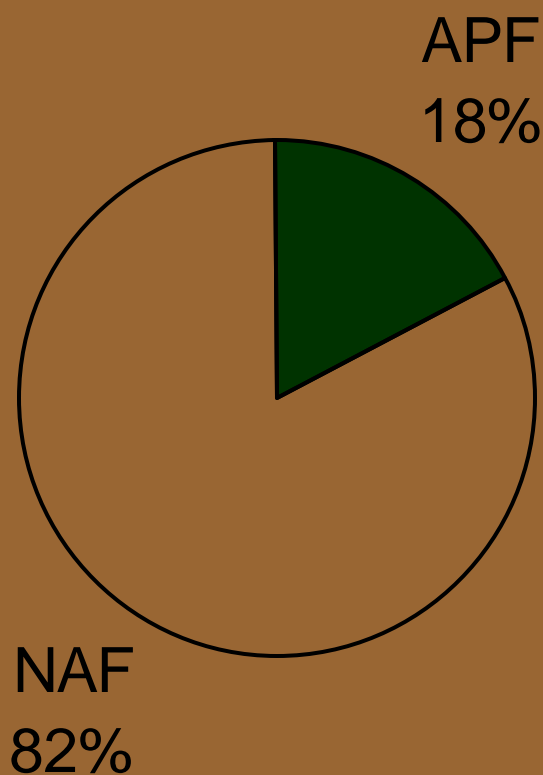
As discussed, the four GPRA Goals related to the NPSCP cover only three specific issues. In reality, the NPSCP addresses many issues, including work on concession contract rollover to prevent disruption to visitor services and the monitoring of government debt in the form of Possessory Interest and Leasehold Surrender Interest held by concessioners. In the future, it is possible that the GPRA Goals will be expanded to include such topics.

Discussion of Financials





Concession Program Funding



The National Park Service Concession Program is comprised of three operating levels:

- Washington (includes Denver office)
- Regions
- Parks

These operating levels are supported by a mix of Appropriated (“APF”) and Non-Appropriated Funding (“NAF”). Non-appropriated funding is comprised of franchise fees and special account contributions that are assessed to and collected from NPSCP concessioners operating businesses on National Park Service land.

As shown by the figure to the left, non-appropriated funds account for the vast majority of the National Park Service Concession Program’s funding. The NPSCP utilized only \$9 million in appropriated funds in 2002, while generating almost \$43 million in franchise fees and special account deposits. It is important to note that almost 80 percent of the Program’s appropriated funds are used at the Region and Park levels. Both funding components are critical to the NPSCP. The majority of appropriated funds are used for NPSCP staff payroll costs. All other components of the NPSCP are covered by non-appropriated funds.

The following section provides a discussion of the sources and uses of funding at each NPSCP operational level for fiscal 2002.



Financial Discussion by Operating Level

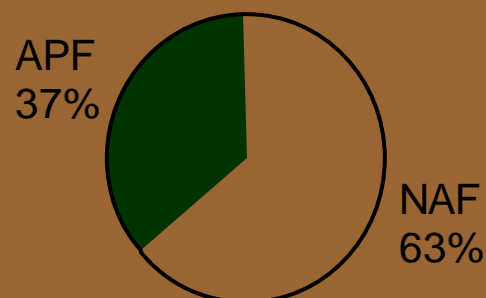
Washington

The Washington Office (“WASO”) is responsible for the entire National Park Service Concession Program and concession-related policy.

WASO operates on both appropriated and non-appropriated funds. As shown by the figure to the right, the majority of funding for the Washington office of the NPSCP comes from non-appropriated funding sources. These non-appropriated funds are generated from a 20 percent allocation of all franchise fees collected.

The appropriated funds associated with WASO cover payroll costs, while the largest use of non-appropriated funds is for service-wide projects in the areas of staff training and education, environmental initiatives, and concession contracting.

Washington Funding

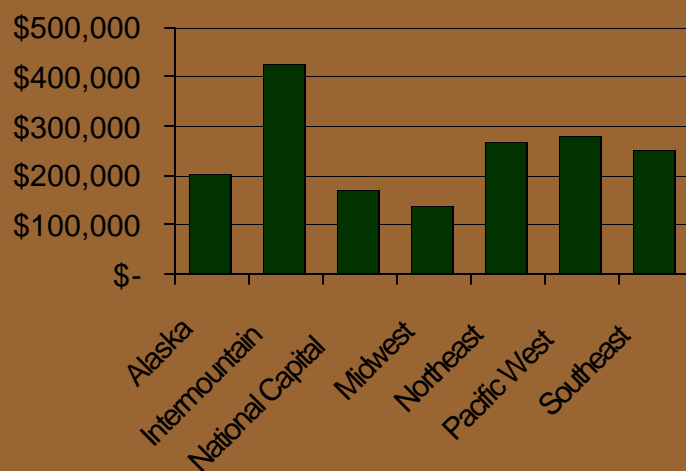


Regions

The National Park Service is divided into seven regions, as discussed previously. The NPSCP operates under these same seven regions.

The regional concession operations are funded entirely by appropriated funds, the majority of which is spent on staffing. Regions are also allocated funding from the WASO 20 percent non-appropriated funding for service-wide efforts. Regional concession offices are responsible for providing support for Park-level concession operations and implementing service-wide concession policy.

Regional Funding





Parks

Park-level concession operations are funded both by appropriated and non-appropriated funds. Appropriated funds are used almost exclusively to support Park-level NPSCP staff, while franchise fee collections and special account deposits are used to support other concession-related operations occurring in each park. The franchise fee collections that are available for park use are specified by law as 80 percent of the franchise fees collected within the given park as well as an allocation of the WASO 20 percent non-appropriated funding for service-wide initiatives. Franchise fees may be used for such purposes as the expansion or improvement of concession facilities, resolution of environmental or safety concerns, and other initiatives supporting the enhancement of visitor services.

Financial Statements





Fiscal 2002

Consolidated Sources & Uses

SOURCES OF FUNDS

APF

Washington	\$	1,841,000
Regions	\$	1,735,787
Parks	\$	5,822,300
<i>Total APF</i>	\$	9,399,087

NAF

FF & Spec Acc	\$	42,975,799
<i>Total NAF</i>	\$	42,975,799

TOTAL SOURCES \$ 52,374,886

USES OF FUNDS

APF

Washington	\$	1,841,000
Regions	\$	1,735,787
Parks	\$	5,822,300
<i>Total APF</i>	\$	9,399,087

NAF

Washington	\$	3,775,000
Regions	\$	-
Parks	\$	32,168,113
<i>Total NAF</i>	\$	35,943,113

TOTAL USES \$ 45,342,200

SURPLUS (DEFICIT) \$ 7,032,686

Note 1: Regions are also allocated a portion of Washington non-appropriated funding.

Note 2: The majority of NAF Source Funds lie in Park level, 80 percent Franchise Fee Accounts

Notes to Sources & Uses Statement

- **Financial information contained in this report is UNAUDITED and may be used only as a general overview of the National Park Service Concession Program**
- Sources and uses of appropriated funds are assumed to equal each other and appropriated fund budgets
- Park-level appropriated funds are estimated to equal payroll associated with park-level concession employees and are estimated based on salaries of park-level NPSCP employees plus an estimated allocation of collateral duty employees.
- Non-appropriated sources include franchise fee collections and special account deposits.
- Franchise fee collections are assumed to equal franchise fees assessed

Government Debt Obligation

Concession contracts written prior to the passage of PL105-391 include language regarding compensation rights for concessioner improvements. This interest in the improvements was identified as Possessory Interest (PI). Possessory Interest was described as, “all incidents of ownership, except legal title which shall be vested in the United States.”¹ The value of Possessory Interest was outlined in PL89-249 as “sound value” and defined as, “reconstruction cost less depreciation evidenced by its condition and prospective serviceability in comparison with a new unit of like kind, but not to exceed fair market value.”² It is important to note that the compensation for concessioner Possessory Interest is guaranteed either by the newly selected concessioner or the U.S. government (if no successor is identified). Therefore, Possessory Interest reflects a potential governmental obligation. The cumulative value of Possessory Interest that the NPSCP is responsible for cannot be calculated until each contract expires and the Possessory Interest value is determined. As contracts expire, the NPSCP will continue to document the Possessory Interest values and begin to report them in this report.

As reported in the 2000 NPSCP AFR database, 127 concession contracts reported assets in which Possessory Interest was claimed. This represents more than 20 percent of concession contracts. The book value of assets in which Possessory Interest is claimed is reported in the 2000 Annual Financial Report database as more than \$210 million.

1. Public Law 89-249, 1965, Section (6)

2. Ibid



Distribution of Contracts by Reporting of Assets in which PI is Claimed

	Contracts
Contracts Reporting Assets in which Possessory Interest is Claimed	127
Contracts Not Reporting Assets in which Possessory Interest is Claimed	463

Condition Assessment Progress

In FY2002, the NPSCP commenced a comprehensive condition assessment initiative. This process identifies deferred maintenance on concession facilities and establishes the on-going maintenance requirements of concessioner facilities. This process was developed to assist in improving the prospectus development process as well as to meet the Agency's and President's objectives of reducing the Maintenance Backlog in our National Parks. To date, the NPSCP has completed condition assessments on 575 assets comprising 1.5 million square feet spread among 27 concession contracts. The replacement cost new of these assets is more than \$340 million, and the deferred maintenance identified in these contracts equates to almost \$13 million. The NPSCP will continue to complete condition assessments on concession facilities as concession contracts are developed and will report annually on the Program's progress.



NPSCP Officials

Washington

Program Manager: Cindy Orlando

Denver Office: Art Hutchinson

Regions

Alaska Region: Kevin Apgar

Intermountain Region: Judy Jennings

Midwest Region: Sandy Poole

National Capital Region: Steve LeBel

Northeast Region: Jerry Swofford

Pacific West Region: Tony Sisto

Southeast Region: Henry Benedetti

